



**MAY 30, 2013**

## **Highlights**

The money market was relatively liquid during the week ending May 29, 2013. The Central Bank liquidity management through open market operations resulted in a net mop up of Ksh 20.8 of the excess liquidity.

The average interbank rate decreased to 6.78 percent during the week ending May 29, 2013 from 7.08 percent in the previous week.

The Kenya Shilling depreciated against major international currencies in the week ending May 30, 2013. Against the US dollar, the weakening of the Kenya shilling is attributed largely to increased demand for dollars from importers to meet their end of month commitments and payments of dividends by corporates.

The usable official foreign exchange reserves held by Central Bank declined from US Dollar 5,821 million as at May 23, 2013 to US Dollar 5,805 million as at May 30, 2013.

The Government offered for sale Treasury bills worth Ksh 10.0 billion, during the week ending May 31, 2013. A total of Ksh 8.6 billion was accepted out of Ksh 23.0 billion bids received.

Gross Government domestic debt increased by Ksh 213.6 billion, from Ksh 858.8 billion at the end of June 2012 to Ksh 1.1 trillion on May 24, 2013. During the week under review, gross government domestic debt increased by Ksh 0.3 billion.

Capital markets recorded mixed performance with an improvement in the bonds segment and decline in most equities indicators. The equities indices fell except the NSE 20 Share Index which gain marginally. Bonds turnover and FTSE NSE Bond Index rose by 18.11 percent and 1.91 percent, respectively.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market was relatively liquid during the week ending May 29, 2013. The Central Bank sterilized the excess liquidity, mopping Ksh 28.3 billion through repo securities and Ksh 15.1 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 1.6 billion and Ksh 21.0 billion, respectively. Reserve money averaged Ksh 285.7 billion during the week and was Ksh 5.8 billion above target (Table 1). Excess reserves averaged Ksh 14.8 billion.

**Table 1: Open Market Operations (Ksh Billion)**

Date	Reserve Money* (Projected)			OMO				Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up		Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
					Repo	Term Auction Deposit					
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
23-May-13	285.2	280.0	<b>5.2</b>	13.0	2.2	0.4	<b>-10.5</b>	283.0	3.0	11.8	-8.8
24-May-13	292.4	280.0	<b>12.4</b>	12.0	8.8	2.6	<b>-0.5</b>	281.3	1.3	11.3	-10.0
27-May-13	302.2	279.9	<b>22.3</b>	21.0	6.3	5.0	<b>-9.7</b>	293.3	13.5	22.8	-9.4
28-May-13	297.5	279.9	<b>17.6</b>	18.0	8.6	2.4	<b>-7.0</b>	286.8	6.9	15.0	-8.1
29-May-13	291.5	279.9	<b>11.7</b>	12.0	2.3	4.6	<b>-5.0</b>	284.3	4.5	13.0	-8.6
<b>Average</b>	<b>293.8</b>	<b>279.9</b>	<b>13.8</b>	<b>15.2</b>	<b>5.7</b>	<b>3.0</b>	<b>-6.5</b>	<b>285.7</b>	<b>5.8</b>	<b>14.8</b>	<b>-9.0</b>

*Source: Central Bank of Kenya*

## Interbank and REPO Interest Rates

Reflecting impact of excess liquidity the average interbank rate decreased to 6.78 percent during the week ending May 29, 2013 from 7.08 percent in the previous week. The interbank volumes transacted decreased to an average of Ksh 7.97 billion compared with Ksh 7.08 billion recorded in the previous week, while the average number of deals was 37 compared with 47 deals in the previous week (Table 2 and Chart A).

**Table 2: Interbank Deals, Volumes and Interest Rates**

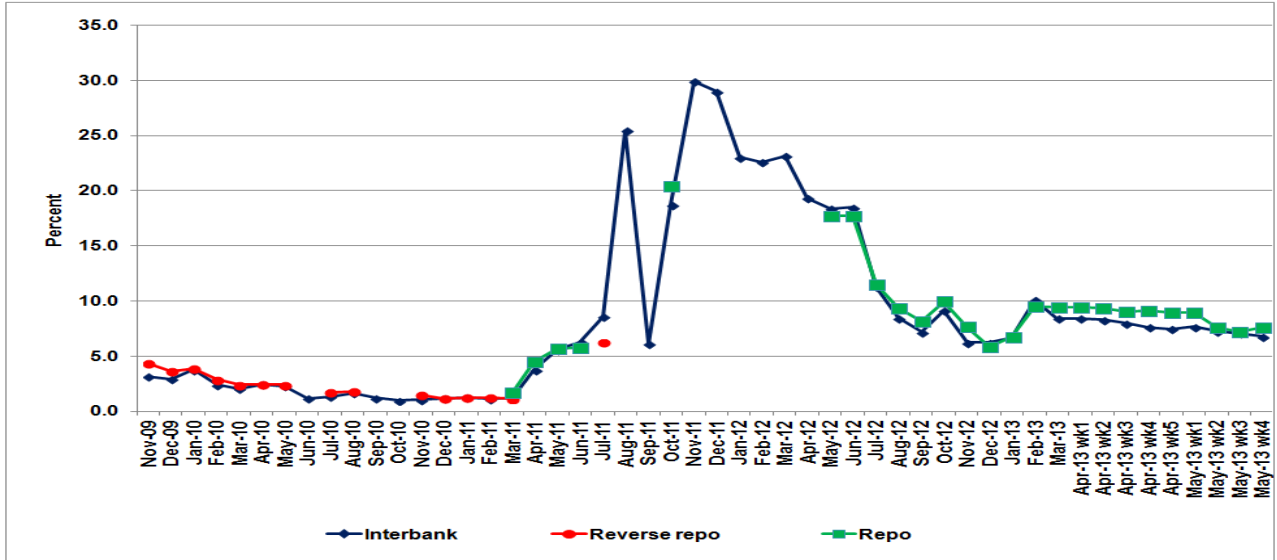
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
16-May-13	42	7,614	7.10
17-May-13	57	12,234	7.10
20-May-13	46	10,557	7.13
21-May-13	43	8,590	7.01
22-May-13	45	7,975	7.05
<b>May 16- May 22, 2013</b>	<b>47</b>	<b>9,394</b>	<b>7.08</b>
23-May-13	37	8,100	6.95
24-May-13	42	8,585	6.77
27-May-13	41	6,100	6.76
28-May-13	32	8,438	6.70
29-May-13	31	8,648	6.70
<b>May 23- May 29, 2013</b>	<b>37</b>	<b>7,974</b>	<b>6.78</b>

*Source: Central Bank of Kenya*

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The average repo rate increased to 7.59 percent during the week ending May 29, 2013 from 7.19 percent recorded in the previous week.

**Chart A: The Structure of Interest Rates**

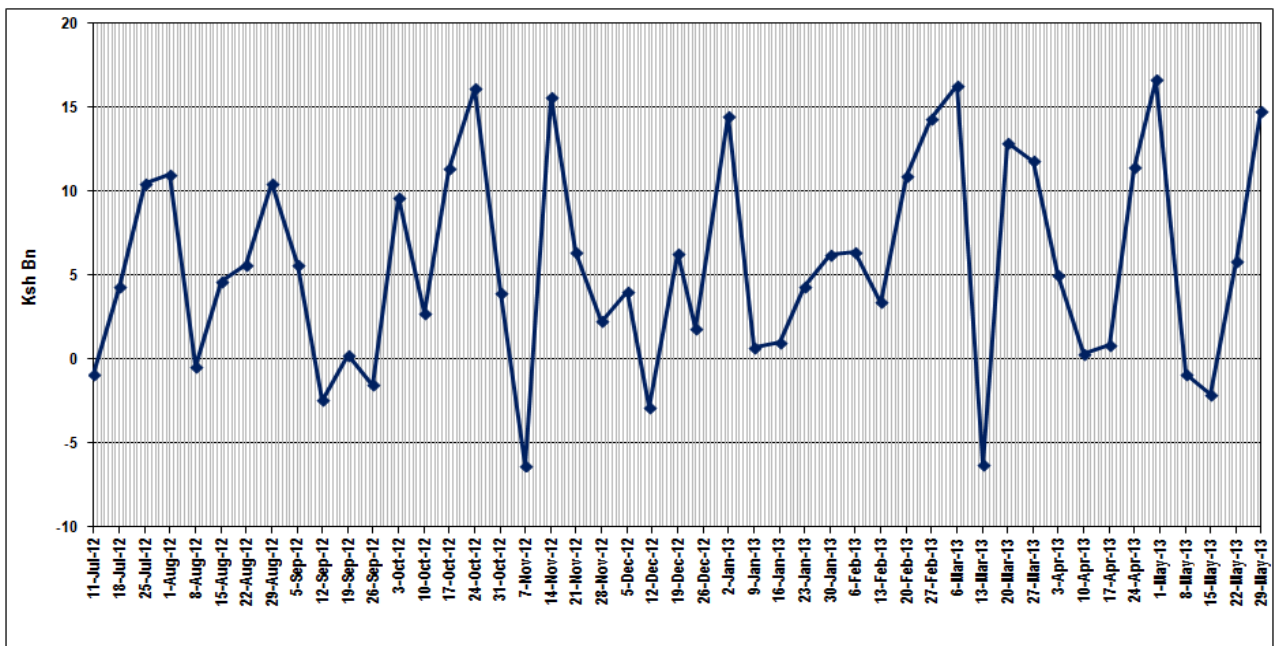


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 14.79 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 92.1 billion) in the week to May 29, 2013 compared with a surplus of Ksh 5.89 billion in the previous week (Chart B).

**Chart B: Weekly Average Deviation from CRR in the Clearing Account**



Source: Central Bank of Kenya

## CBK WEEKLY BULLETIN

### The Shilling Exchange Rate

The Kenya Shilling depreciated marginally against major international currencies during the week ending May 30, 2013. Against the US dollar the shilling depreciated by 0.89 percent to trade at an average of Ksh 84.79 compared to an average of Ksh 84.04 in the week ending May 23, 2013. The depreciation is attributed to increased demand for dollars from importers to meet their end of month commitments and payment of dividends by corporates. Against the Sterling Pound, the Euro and the Japanese Yen, the shilling weakened by 0.43 percent, 1.29 percent and 1.67 respectively to trade at an average of 128.04 per Sterling Pound, 109.53 per Euro and 83.45 per 100 Japanese Yen.

In the EAC region, the Kenya shilling depreciated against all EAC currencies to trade at an average of Ush 30.67, Tsh 19.23, RWF 7.65 and BIF 18.49 compared to an average of Ush 30.89, Tsh 19.39, RWF 7.72 and BIF 18.75 during the week ending May 23, 2013 (**Table 3**).

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
17-May-13	83.80	127.73	107.78	81.87	30.73	19.44	7.74	18.81
20-May-13	83.84	127.36	107.71	81.65	30.71	19.43	7.74	18.80
21-May-13	83.85	127.80	108.02	81.85	31.01	19.46	7.76	18.80
22-May-13	84.26	127.63	108.80	82.13	30.92	19.32	7.70	18.70
23-May-13	84.48	126.96	108.40	82.89	31.07	19.28	7.66	18.66
<b>17-23 May 2013</b>	<b>84.04</b>	<b>127.50</b>	<b>108.14</b>	<b>82.08</b>	<b>30.89</b>	<b>19.39</b>	<b>7.72</b>	<b>18.75</b>
24-May-13	84.37	127.35	109.04	82.97	30.79	19.30	7.70	18.68
27-May-13	84.43	127.65	109.11	83.53	30.83	19.32	7.66	18.67
28-May-13	84.98	128.36	109.79	83.32	30.71	19.16	7.63	18.54
29-May-13	85.29	128.08	109.57	83.28	30.45	19.14	7.61	18.24
30-May-13	84.90	128.78	110.15	84.18	30.56	19.23	7.66	18.33
<b>24-30 May 2013</b>	<b>84.79</b>	<b>128.04</b>	<b>109.53</b>	<b>83.45</b>	<b>30.67</b>	<b>19.23</b>	<b>7.65</b>	<b>18.49</b>

Source: Central Bank of Kenya

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank declined from US Dollar 5,821 million as at May 23, 2013 to US Dollar 5,805 million as at May 30, 2013 (**Table 4**). In terms of months of imports cover, the foreign exchange reserves were equivalent to 4.26 months, which remained above the statutory minimum of 4 months holdings.

**Table 4: Official Foreign Reserves US\$ Million (Usable)**

	18-Apr-13	25-Apr-13	02-May-13	09-May-13	16-May-13	23-May-13	30-May-13
Usable Reserves*	5,568	5,537	5,668	5,744	5,805	5,821	5,805
Months of Imports Cover**	4.16	4.09	4.19	4.25	4.29	4.27	4.26

\*Excludes encumbered reserves

\*\*Based on 36 month average of imports of goods and non-factor services

Source: Central Bank of Kenya

### Government Securities Auction

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The Government offered for sale Ksh 3.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182 day Treasury bills and Ksh 4.0 billion in 364 day Treasury bills during the week ending May 31, 2013. Total bids received amounted to Ksh 23.0 billion, of which Ksh 7.2 billion, Ksh 7.6 billion and Ksh 8.2 billion was in 91 day, 182 day and 364 day Treasury bills, representing performance rates of 240.5 percent, 252.7 percent and 205.8 percent, respectively. The Government accepted Ksh 1.9 billion in the 91 day Treasury bills, Ksh 2.9 billion in the 182 day Treasury bills and Ksh 3.8 billion in the 364 day Treasury bills, during the week. The increased demand for the securities issued is attributed to the expectation of a decline in interest rates following further reduction in the central bank rate. Total non competitive bids amounted to Ksh 2.0 billion.

### Interest Rates on Government Securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills decreased by 91.3, 59.0 and 72.5 basis points to reach 7.569 percent, 8.840 percent and 9.383 percent, respectively, during the week's auction.

**Table 5: Government Securities Interest Rates**

	25-Jan-13	22-Feb-13	28-Mar-13	26-Apr-13	10-May-13	17-May-13	24-May-13	31-May-13
91-day T. Bills*	8.036	8.928	10.467	10.206	9.887	9.376	8.482	7.569
182-day T. Bills*	8.066	8.571	10.803	10.604	10.279	9.980	9.430	8.840
364-day T. Bills*			12.676	12.260	11.780	11.153	10.108	9.383
5 year FXD T. Bonds	12.791			12.892				
10year FXD T. Bonds								
15year FXD T. Bonds								
15year FXD T. Bonds		13.629		13.661				
20 year FXD T. Bonds	13.694						12.981	

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

### Government Domestic Debt

Gross Government domestic debt increased by Ksh 213.6 billion, from Ksh 858.8 billion at the end of June 2012 to Ksh 1.1 trillion on May 24, 2013. This followed increases of Ksh 132.4 billion, Ksh 50.8 billion, 26.9 billion and Ksh 3.5 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively (Table 6).

**Table 6: Government Domestic Debt (Ksh Billion)**

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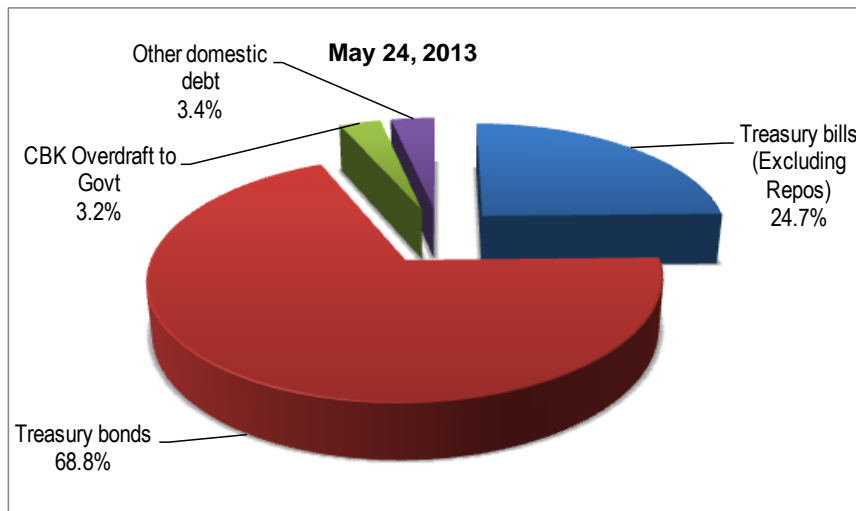
	Jun 2012	Dec-12	Mar 2013	10th May 2013	17th May 2013	24th May 2013	Changes	
							17th May 2013 - 24th May 2013	29th Jun 2012 - 24th May 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	196.3 21.5	186.6 20.3	260.5 26.0	262.0 26.1	264.5 26.4	2.4 0.3	132.4
2. Treasury Bonds (As % of total securities)	687.0 83.9	716.1 78.5	733.2 79.7	742.7 74.0	742.7 73.9	737.7 73.6	-5.0 -0.3	50.8
<b>3. Total Securities (1+2)</b>	<b>819.0</b>	<b>912.3</b>	<b>919.8</b>	<b>1003.2</b>	<b>1004.7</b>	<b>1002.2</b>	<b>-2.6</b>	<b>183.2</b>
4. Overdraft at Central Bank	7.3	25.4	25.4	31.3	31.3	34.2	2.9	26.9
5. Other Domestic debt*	32.6	33.6	36.5	36.1	36.1	36.1	0.0	3.5
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>858.8</b>	<b>971.3</b>	<b>981.7</b>	<b>1070.7</b>	<b>1072.2</b>	<b>1072.4</b>	<b>0.3</b>	<b>213.6</b>
<b>7. Interest payments on domestic debt</b>	<b>82.3</b>	<b>53.6</b>	<b>78.9</b>	<b>90.2</b>	<b>90.6</b>	<b>94.5</b>	<b>3.8</b>	<b>12.1</b>

\* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates .

Source: Central Bank of Kenya

During the week ending May 24, 2013, gross government domestic debt increased by Ksh 0.3 billion, following increases of Ksh 2.4 billion and Ksh 2.9 billion in Treasury bills and Government overdraft at the Central Bank, respectively, which were partially offset by Ksh 5.0 billion net redemption in the stocks of Treasury bonds (Table 6). The average time to maturity of Government securities declined to 4 years and 11 months during the week ending May 24, 2013, from 5 years and 4 months as at the end of June 2012.

**Chart C: Composition of Government Domestic Debt**

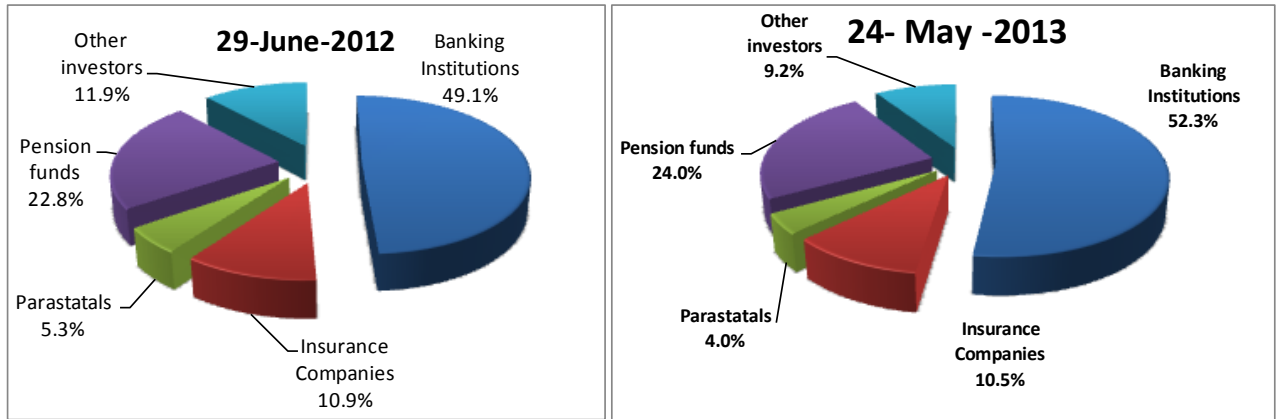


Source: Central Bank of Kenya

## Holdings of Government Securities

Government securities accounted for 93.5 percent of gross domestic debt on May 24, 2013 (Chart C). Holdings by commercial banks and pension funds increased from 49.1 and 22.8 percent in June 2012 to 52.3 and 24.0 percent on May 24, 2013. Insurance companies, Parastatal, and other investor holdings (which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals) declined from 10.9 percent, 5.3 percent and 11.9 percent to 10.5 percent, 4.0 percent and 9.2 percent, respectively, during the period (Chart D).

**Chart D: Holding of Government Securities by Investors**

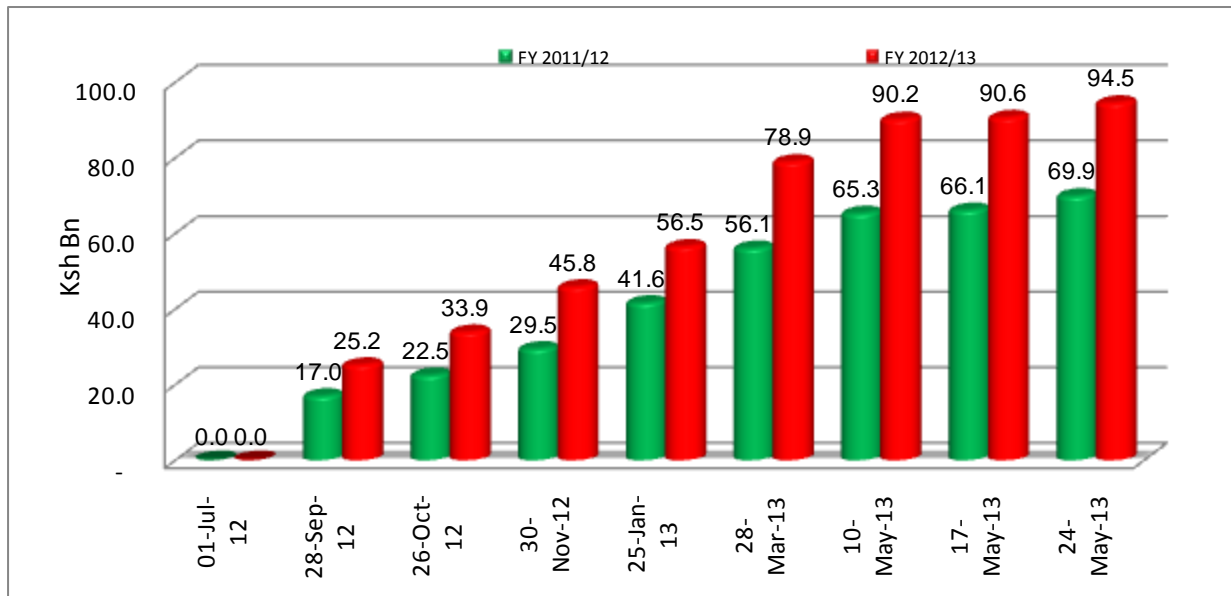


Source: Central Bank of Kenya

### Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to May 24, 2013 in the 2012/13 fiscal year amounted to Ksh 94.5 billion compared with Ksh 69.9 billion during a similar period of the previous fiscal year (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 20.3 billion and Ksh 70.5 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.5 billion and Ksh 1.2 billion, respectively.

Chart E: Cumulative Interest Payments on Domestic Debt (Ksh billion)



Source: Central Bank of Kenya

### Capital Markets

Capital markets performance improved on the bonds segment during the week ending May 30, 2013, but equities segment activities declined, where turnover and market capitalization ceded ground.

### Equities Market



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NSE 20 Share Index closed the week at 4996.07 points or 0.8 percent above the previous week's level, while NASI ended at 126.72 points or 0.8 percent lower than the previous week's level (Table 7). Market capitalization that measures shareholders' wealth closed lower at Ksh 1,719.34 billion from Ksh 1,733.66 billion recorded in the previous week. Similarly, equity turnover lost 42.4 percent to close the week at Ksh.1, 961.99 billion. The declined was due to a 58.5 percent drop in number of shares transacted.

**Table 7: Key Weekly Market Statistics**

Week Ending	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13	16-May-13	23-May-13	30-May-13
NASI 100= Jan 2008	121.53	119.73	118.38	119.49	123.35	126.52	127.77	126.72
NSE 20 Share Index 100=1966	4,990.04	4,932.77	4,810.40	4,788.26	4,917.46	4,955.61	4,956.95	4,996.07
Number of Deals	8,712	10,468	8,186	6,413	8,777	9,674	8,991	8,967
Total Shares Traded (millions)	101.28	179.82	120.90	98.55	237.38	220.17	226.88	94.22
Equity Turnover (Ksh. millions)	1,871.65	3,418.00	1,684.02	2,039.33	3,772.52	5,288.33	3,403.69	1,961.99
Market Capitalization (Ksh. Billions)	1,648.86	1,624.56	1,606.23	1,621.21	1,673.69	1,716.61	1,733.66	1,719.34
Bonds Turnover (Ksh. millions)	9,275.00	9,951.95	7,962.05	9,645.90	14,534.20	14,710.05	16,977.70	20,052.85
FTSE NSE Kenya 15 Index	158.80	156.28	154.23	157.30	162.64	167.08	169.90	167.48
FTSE NSE Kenya 25 Index	161.58	159.39	157.28	160.77	166.66	171.97	175.24	171.68
FTSE NSE KSH Government Bond Index	89.51	89.45	89.74	90.05	89.66	89.67	90.78	92.51

\* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 1, 2008 = 100)

**Source: Nairobi Securities Exchange**

Telecoms & Technology, Banking and Manufacturing & Allied sectors were the top three most active, transacting 41.95 million or 44.5 percent; 22.45 million or 23.8 percent and 8.09 million or 8.6 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and Mumias Sugar Co. Ltd were the three most active counters with 41.95 million, 7.19 million and 7.04 million shares traded, respectively. Automobile & Accessories sector was least active, trading 223,800 shares.

The biggest closing and average price gain for the week under review were for Bamburi Cement Ltd and Nation Media Group Ltd at KSh.14.0 and KSh.9.40 per share, respectively. The biggest closing and average price loss was for East African Breweries Ltd at KSh.44.0 and KSh.31.4 per share, respectively. Of the 53 active counters, 30 had average price gain in the week compared to 35 counters in the previous week.

### FTSE NSE Kenya Index Series

As indicated in Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week down at 167.48 points from 169.90 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week down at 171.68 points up from 175.24 points of the previous trading week. The FTSE NSE Bond Index improved to 92.51 points from the previous week's 90.78 points.

### The Bond Market



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Bonds trading improved by 18.11 percent in turnover, worth Ksh. 20,052.85 million compared with Ksh. 16,977.70 million in the previous week. Corresponding deals rose to 276 from 218 recorded in the previous week.